Government of Saskatchewan

Annual Report 1987-88

Judges of the Provincial Court Superannuation Fund

89-05002/

Regina, Saskatchewan

The Honourable Sylvia Fedoruk
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to transmit herewith the tenth Annual Report of the Judges of the Provincial Court Superannuation Fund for the year ending March 31, 1988.

I have the honour to be, Madam

Your Obedient Servant,

Bob Andrew
Minister of Justice

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Introduction

Section 27(1) of The Provincial Court Act established the Judges of the Provincial Court Superannuation Fund to provide pensions to judges employed by the Province. Previously pensions had been provided to qualifying judges through The Magistrates' Courts Act. Judges appointed at the time the Fund was established had the option of retaining the benefits provided under The Magistrates' Courts Act, or opting to contribute to the Fund and earn a pension under The Provincial Court Act. For those judges who transferred, service under The Magistrates' Courts Act is included as service in the calculation of pensions under The Provincial Court Act.

Operation of the Fund

The Fund is credited with contributions paid by judges together with interest earned on the investment of monies in the Fund. Payments may be made out of the Fund for pensions, annuities, supplementary allowances, refunds and interest. Any deficiency in the Fund is paid out of the Consolidated Fund.

Payments of annuities, granted under The Magistrates' Courts Act, to retired magistrates or widows of retired magistrates are continued under The Provincial Court Act. The annuities also are considered to be a deficiency in the Fund and are reimbursed by way of a payment from the Consolidated Fund each fiscal year.

The deficiency payment for the period April 1, 1987 to March 31, 1988 amounted to $217,980. Note 5 to the financial statements provides the detail of amounts making up the payment from the Consolidated Fund.

The Judges of the Provincial Court Superannuation Plan is a formula pension plan which provides pensions based on average salary and years of service as a judge or magistrate. The Magistrates' Courts Act provided an allowance to qualifying magistrates based on earnings at time of retirement.

A spouse of a judge in receipt of a pension is entitled to 60% of the judge's pension upon the death of the judge.

Contributions and Membership

For the period October 1, 1978 to December 31, 1980, judges contributed 9% of their salary to the Fund. For the period January 1, 1981 to December 31, 1986, judges were required to contribute 9% of their salary to the maximum deductible contribution to a registered pension plan, as allowed by the Income Tax Act (Canada) and as amended from time to time. On and after January 1, 1987, judges contribute 5% of their salary. Contributions include required contributions to the Canada Pension Plan.

Contributions to the Fund for the year totalled $90,181; as at March 31, 1988, 37 judges were contributing to the Fund.

Pensions

Annuities paid to retired judges, or their widows, under both The Magistrates' Courts Act and The Provincial Court Act totalled $233,877 for the fiscal year 1987-88.

Investments

During 1987-88 the Investment and Financial Services Division of Saskatchewan Finance was responsible for managing the investments of the Fund. The investment policy directs that the assets of the Fund shall be in long-term, high quality investments yielding the best possible return with minimum risk. At March 31, 1988 the book value of the investment portfolio was $2,112,015. Of this amount, $1,661,749 was invested in bonds while $350,266 was in short-term investments and $100,000 was in convertible shares.

Administration

For 1987-88, expenses of administering the Judges of the Provincial Court Superannuation Fund were not charged to the Fund but were paid out of monies appropriated by the Legislature.

Administration of the Fund is assigned to the Public Employees Benefits Agency of Saskatchewan Finance.

Judges of The Provincial Court Superannuation Fund

Financial Statements

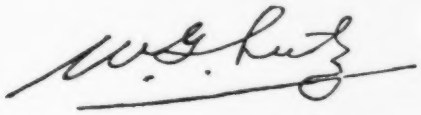
Year Ended March 31, 1988

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the statement of financial position of the Judges of the Provincial Court Superannuation Fund as at March 31, 1988 and the statements of members' accumulated balances, unallocated fund balance and changes in cash resources for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
November 7, 1988.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Judges of The Provincial Court Superannuation Fund

Statement of Financial Position

As at March 31

Assets	1988	1987
Cash (Statement 4)	$ 27,603	$ 15,777
Contributions receivable	8,513	40,751
Accrued interest receivable	51,383	51,013
	87,499	107,541
Investments (Schedule 1)	2,112,015	1,810,411
	$ 2,199,514	$ 1,917,952
Liabilities and Fund Balance		
Payable to Minister of Finance	$ 545	$ 238
Accounts payable	6,679	4,411
	7,224	4,649
Fund balance (Note 4):		
Members' accumulated balances (Statement 2)	1,121,989	1,068,446
Unallocated fund balance (Statement 3)	1,070,301	844,857
	2,192,290	1,913,303
	$ 2,199,514	$ 1,917,952

(See accompanying notes)

Statement 2

Judges of The Provincial Court Superannuation Fund
Statement of Members' Accumulated Balances
Year Ended March 31

	1988	1987
Balance, beginning of year	$ 1,068,446	$ 964,839
Add: Contributions by judges	90,181	131,320
	1,158,627	1,096,159
Deduct:		
Refunds	17,021	—
Retirement transfers	19,617	27,713
Balance, end of year — to Statement 1	$ 1,121,989	$ 1,068,446

(See accompanying notes)

Statement 3

Judges of The Provincial Court Superannuation Fund
Statement of Unallocated Fund Balance
Year Ended March 31

	1988	1987
Balance, beginning of year	$ 844,857	$ 640,208
Add:		
Deficiency payment from the Consolidated Fund (Note 5)	217,980	192,631
Investment income	223,441	204,649
Bank interest	1,498	—
Retirement transfers	19,617	27,713
	462,536	424,993
Deduct:		
Annuities paid under:		
The Magistrates' Courts Act	37,651	37,850
The Provincial Court Act	196,226	182,494
Interest on refunded contributions	3,215	—
	237,092	220,344
Balance, end of year — to Statement 1	$ 1,070,301	$ 844,857

(See accompanying notes)

Judges of The Provincial Court Superannuation Fund
Statement of Changes in Cash Resources
Year Ended March 31

	1988	1987
Sources of Cash:		
Operating Activities		
Contributions received	$ 115,987	$ 113,633
Deficiency payment from the Consolidated Fund	225,638	185,000
Investment income received	219,027	185,746
Bank interest received	1,411	–
Miscellaneous receipts	279	–
	562,342	484,379
Investment Activities		
Proceeds from sale of investments	1,081,639	2,875,010
	1,643,981	3,359,389
Applications of Cash:		
Operating Activities		
Annuity payments	232,843	219,016
Other expenses	–	36
Refunds of contributions	20,236	–
	253,079	219,052
Investment Activities		
Purchase of investments	1,379,076	3,143,420
	1,632,155	3,362,472
Net increase (decrease) in cash	11,826	(3,083)
Cash balance, beginning of year	15,777	18,860
Cash balance, end of year – to Statement 1	$ 27,603	$ 15,777

(See accompanying notes)

Judges of The Provincial Court Superannuation Fund

Notes to the Financial Statements

March 31, 1988

1. **Description of the Fund**

   The Judges of the Provincial Court Superannuation Fund was established on October 1, 1978 under The Provincial Court Act to provide for the payment of pensions and allowances as authorized by that Act. The Fund is credited with required contributions by judges, payments from the Consolidated Fund and with earnings on investments held.

2. **Significant Accounting Policies**

   Investments

   The Fund records all investment transactions at cost. Premiums and discounts on bonds are amortized on a straight line basis over the remaining term of the security.

   Gains or losses on the disposal of bonds are deferred and amortized over the remaining term of the security sold.

3. **Actuarial Valuation**

   As outlined in Notes 1 and 5, benefits under The Magistrates' Courts Act and The Provincial Court Act are to be paid from the Judges of the Provincial Court Superannuation Fund. Pensions provided under both Acts are defined benefit final average pensions, however, only The Provincial Court Act requires judges to make contributions.

   An actuarial valuation was performed as at January 1, 1983 on the pension plans for Saskatchewan Provincial Court Judges including the implication of benefits payable under both Acts. The actuary stated that using the Aggregate Attained Age Method with Supplemental Liability, the present value of accumulated benefits resulting from services provided to the valuation date was $7 million, and the present value of pension fund assets was $0.7 million based on book values, for a net unfunded accrued liability of $6.3 million. In addition, the report stated that the combined future cost of the plan will be 17.11% of the judges' salaries in order to meet the cost of benefits to be earned for service after the valuation date.

4. **Fund Balance**

   a) **Members' Accumulated Balances**

   This represents the members' accumulated contributions to the Fund. These balances do not represent the accrued value of retirement benefits earned by members since retirement benefits provided under the respective Acts are based on years of service and salary levels.

   When a member withdraws from the plan, the member's accumulated contributions are refunded. Where a member superannuates, his accumulated contributions are transferred to the credit of the unallocated fund balance described in note 4(b).

   b) **Unallocated Fund Balance**

   The unallocated fund balance is composed of:

   i) the accumulated contributions of all superannuates at rates stipulated in The Provincial Court Act,

   ii) investment income, and

   iii) payments received from the Consolidated Fund

reduced by pension payments made to superannuates and interest allocated to members' accumulated contributions at such time as they withdraw from the plan.

5. **Deficiency Payment from the Consolidated Fund**

Section 52 of The Provincial Court Act provides that annuities being paid under the Magistrates' Courts Act shall be paid out of the Fund. Section 31 of The Provincial Court Act provides that a judge of the Magistrates' Court prior to October 1, 1978 may elect to receive the benefits to which he was entitled under The Magistrates' Courts Act rather than contributing to the Fund and receiving benefits as determined by The Provincial Court Act. Section 27(3) of The Provincial Court Act provides that any deficiency in the Fund shall be paid out of the Consolidated Fund. Accordingly, the annuities which are now or will become payable under The Magistrates' Courts Act are considered to be a deficiency and the Fund is reimbursed by way of a statutory appropriation from the Consolidated Fund each year. Also considered as a deficiency for administrative purposes are any amounts payable under The Provincial Court Act to superannuates which are in excess of an individual's accumulated contributions, and payments from the Consolidated Fund are increased accordingly. In addition, lump sum contributions may be received from the Consolidated Fund to reduce any unfunded liability.

	1988	1987
Deficiencies		
— The Magistrates' Courts Act	$ 37,651	$ 37,850
— The Provincial Court Act	180,329	154,781
	$ 217,980	$ 192,631

6. **Related Party Transactions**

This Fund is administered by the Public Employees Benefits Agency. In accordance with section 27(4) of The Provincial Court Act, all general administrative and employee costs required for the administration of the Fund are paid out of the Consolidated Fund of the Province of Saskatchewan. Accordingly, no provision for such costs is included in these financial statements.

7. **Subsequent Events**

i) **The Public Employees Benefits Agency Revolving Fund**

Legislation amending The Department of Revenue and Financial Services Act, retroactive to April 1, 1988, was assented to on June 28, 1988. Section 32.1(2) of The Department of Revenue and Financial Services Act, as amended, established the Public Employees Benefits Agency Revolving Fund.

The Revolving Fund was established to account for all expenditures previously paid out of the Consolidated Fund for the administration of the Public Employees Benefits Agency (PEBA). In addition, the Minister of Finance may charge a fee for any services which he provides on behalf of the Revolving Fund through the Consolidated Fund. These costs will be charged by the Revolving Fund to the various pension funds and benefit programs administered by PEBA.

ii) **The Department of Revenue and Financial Services Consequential Amendment Act, 1988**

On June 28, 1988, subsection 27(4) of the Provincial Court Act was amended through the passing of The Department of Revenue and Financial Services Consequential Amendment Act, 1988. The amendment, which is retroactive to April 1, 1988, establishes that sums required for the purpose of administering the Judges of the Provincial Court Superannuation Fund shall be a charge on and paid out of that Fund. These expenditures were previously paid out of the Consolidated Fund prior to the amendment. The annual operating expenditures for the 1988-89 year associated with the Fund's administration are estimated to be $15,000, and will be paid to the Public Employees Benefits Agency Revolving Fund.

iii) **The Investment Provisions Amendment Act**

The Investment Provisions Amendment Act received Royal Assent on June 28, 1988. This Act was not proclaimed in force at the time the financial statements were prepared, but once proclaimed, it will be retroactive to June 1, 1988. The above Act amends Section 28 of The Provincial Court Act to change the restrictions imposed on the Minister of Finance for the purpose of making eligible investments on behalf of the Judges of the Provincial Court Superannuation Fund. Effective June 1, 1988 the Minister of Finance may invest all or any part of the monies standing to the credit of the Fund in any securities authorized pursuant to The Pension Benefits Act.

Section 28(4) also authorizes the Minister of Finance to enter into any agreement or engage any services he considers necessary for the purpose of managing, investing or disposing of all or any part of the assets in the Fund. Furthermore, Section 28(5) provides that the costs incurred pursuant to Section 28(4) and any other expenses associated with the managing, investing or disposing of the assets shall be paid out of the Judges of the Provincial Court Superannuation Fund.

Charges relating to the investment activities of the Fund have not been determined, as described below.

iv **The Investment Corporation of Saskatchewan**

The Investment Corporation of Saskatchewan was incorporated under The Business Corporations Act on June 2, 1988. Broadly stated, the powers of the Corporation are to conduct the business of investment management for any type of incorporated or unincorporated entity, including any fund.

In June, 1988, the Minister of Finance, on behalf of the Judges of the Provincial Court Superannuation Fund, purchased 666 Class B shares and 100 Class A shares, for a total cost of $766.00, in the Investment Corporation of Saskatchewan. These shares are being held in escrow on behalf of the Fund by its legal counsel. The escrow shall remain in place until all of the shareholders have agreed that items contained in the escrow condition memorandum have been completed.

Upon fulfillment of the escrow conditions, the Judges of the Provincial Court Superannuation Fund shall be a shareholder of the Investment Corporation of Saskatchewan and, simultaneously subject to the investment management fees levied by the directors of the corporation. The setting of the investment management fees have not yet been determined and represent one of the outstanding items contained in the escrow condition memorandum.

Schedule 1

Judges of The Provincial Court Superannuation Fund

Schedule of Investments

As at March 31

		1988		1987	
		Cost	Market Value	Cost	Market Value
Bonds at par value:					
Government of Canada					
Feb. 1, 1993	11.25%	$ 100,000	$ 107,000	$ 100,000	$ 113,125
Government of Saskatchewan					
Dec. 1, 2002	13.0%	200,000	227,500	200,000	247,000
Mar. 30, 2003	12.25%	175,000	191,590	175,000	206,500
June 2, 2000	11.75%	100,000	105,000	100,000	113,696
Ontario Hydro					
Jan. 25, 2005	9.375%	150,000	136,596	150,000	153,219
Norcen Energy Resources					
Dec. 20, 2003	13.25%	91,000	105,100	95,000	120,945
City of Edmonton					
Dec. 13, 2004	12.875%	300,000	346,689	300,000	383,535
Imasco					
Nov. 20, 1996	10.50%	250,000	252,500	250,000	269,375
CCL Industries					
Jan. 2, 1997	10.35%	250,000	244,553	250,000	263,005
Pacific Western Convertibles					
Dec. 30, 1996	7.625%	100,000	100,000	100,000	123,000
Total bonds at par value		1,716,000		1,720,000	
Less:					
Unamortized discounts		(36,935)		(40,081)	
Unamortized gains		(20,013)		(21,489)	
Plus:					
Unamortized losses		2,697		3,152	
Total bonds at amortized cost		1,661,749		1,661,582	
Laidlaw Convertible Shares		100,000	137,500	100,000	121,875
Short term investments		350,266	350,266	48,829	48,829
		$ 2,112,015	$ 2,304,294	$ 1,810,411	$ 2,164,104